



DEPARTMENT OF THE ARMY

U.S. Army Corps of Engineers
WASHINGTON, D.C. 20314-1000

09 JAN 1998

REPLY TO
ATTENTION OF:

CERM-F

MEMORANDUM FOR Director, US Army Topographic Engineering Center,
7701 Telegraphic Rd., Bldg # 2592, Room 100,
Alexandria, VA 22315-3864

SUBJECT: Indirect Costs

1. Reference HQUSACE Command Inspection visits to Topographic Engineering Center (TEC) on 4 December 1997.
2. During the reference inspection, a discussion was held with your Chief, RMO regarding TEC's business process for recovering indirect costs through the direct funded BASOPS account and project funds. Specifically, TEC charges the technical division chiefs labor and all of their associated costs to the General & Administrative (G&A) overhead which BASOPS reimburses. Also, the technical branch chiefs as well as their administrative support costs are being charged directly to the project worked without applying the one-hour rule. These two practices may cause an unfair distribution of indirect costs being spread to all TEC customers.
3. The preferred methodology is contained in chapters 22 and 24 of ER 37-2-10. Proper recording of indirect (overhead) costs to G&A and Departmental accounts with calculated rates added-on to direct labor provide a more uniform costs distribution. One basic rate can easily be computed by dividing the estimated total G&A costs by the projected direct labor dollars. This concept is a standardized practice used throughout the Corps of Engineers.
4. Suggest that you review the above regulation and implement guidance accordingly. My point-of-contact is Arland Luster at 202-761-1865.

FOR THE COMMANDER:

OTIS WILLIAMS
Colonel, Corps of Engineers
Chief of Staff